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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of

Policy and Rules Concerning the
Interstate, Interexchange Marketplace

Implementation of Section 254(g) of the
Communications Act of 1934, as amended

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FEDERAL COMMUNICATIONS COMMISSION
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To: The Commission

REPLY COMMENTS OF IT&E OVERSEAS, INC.

IT&E Overseas, Inc. ("IT&E"), by its attorneys and pursuant to Section 1.415 of the rules of the Federal Communications Commission ("FCC" or "Commission"), 47 C.F.R. § 1.415 (1995), respectfully submits its Reply Comments to the Comments filed in response to the FCC's Notice of Proposed Rulemaking ("NPRM") in the above-referenced proceeding. IT&E previously filed Comments in this proceeding urging the Commission to convene a separate working group or task force, whose work would be conducted concurrently with this proceeding, to address the unique economic and policy issues raised by the Commission's proposed extension of rate integration to the Territory of Guam ("Guam") and the Commonwealth of the Northern Mariana Islands ("CNMI").¹ These Reply Comments are responsive to those Comments addressing the issue of the Commission's proposed rule requiring rate integration throughout the United States, including noncontiguous U.S. points such as Guam and the CNMI.

¹ See Comments of IT&E (filed April 19, 1996).

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The Comments submitted in response to the NPRM reflect a consensus among the parties addressing the Commission's proposed rule requiring the extension of rate integration to the noncontiguous U.S. points such as Guam and the CNMI, which have not been subject to the Commission's existing rate integration policy. The parties generally recognize that because of the uniqueness of Guam and the CNMI, the proposed extension of rate integration to those areas involves complex issues requiring more extensive discussion and analysis than the simple codification of the FCC's existing rate integration policy. Indeed, the Governor of Guam and the Guam Telephone Authority ("GTA") agree with IT&E that, in light of the "enormously complex" task of implementing rate integration, a working group should be convened to develop mechanisms for implementing rate integration.² Moreover, the Governor of Guam and GTA also agree with IT&E that special consideration should be given to the likely burdens imposed by rate integration on regional carriers such as IT&E, who would be required to compete with the integrated rates of national carriers, while lacking the requisite ability to cover the high costs of service to the Western Pacific region by drawing on a large pool of interstate revenues.³ Even JAMA Corporation, who has been a staunch proponent of rate integration and who previously filed a petition for a rulemaking to extend rate integration to Guam, has objected strenuously to the Commission's proposal to extend its existing rate integration policy to Guam in this proceeding and has argued that the issue of extending rate integration to Guam "must go through a deliberate and participatory joint board rulemaking process."⁴

² See Joint Comments of the Governor of Guam and GTA, at 5-6 (filed April 19, 1996).

³ See id. at 8-9.

⁴ Comments of JAMA Corporation, at 2 (filed April 18, 1996).

Other parties filing Comments in this proceeding have expressed similar concerns regarding the unintended adverse consequences of mechanically applying the FCC's existing rate integration policy to Guam and the CNMI without regard to the unique telecommunications markets of those areas.⁵ Accordingly, these parties have urged the Commission to proceed with caution and in a manner consistent with the pro-competitive goals of the Telecommunications Act of 1996.⁶

For example, a number of parties have suggested that the costs of providing telecommunications service to the distant Western Pacific region are significantly higher than for other areas of the U.S. Thus, GTE has noted that satellite service to the CNMI currently

⁵ See, e.g., Comments of GTE, at 21 (filed April 19, 1996) ("Small regional carriers with a very limited calling base and high costs . . . can be drastically impacted by rate integration if forced to compete against large carriers with lower costs and huge customer bases over which they can spread these costs."); Comments of MCI Telecommunications Corp., at 37-38 (filed April 19, 1996) (raising concerns regarding high costs of service to Guam); Comments of Sprint Corp., at 24 (filed April 19, 1996) (noting that rate integration could have "unintended, unforeseen and adverse competitive consequences" in light of the "very different state of technology and the very different state of competition that exists today"); Comments of AT&T Corp., at 29 (filed April 19, 1996) (rigid rate integration rules would "drive up the costs and prices of carriers that serve high cost areas"); Comments of Columbia Long Distance Services, Inc., at 6 (filed April 19, 1996) ("[T]he Commission should not ignore the fact that the circumstances of providing service to Guam and CNMI are completely different from those that have supported rate integration in the past.").

⁶ See Comments of GTE, at 21 ("[T]he Commission must carefully examine all the issues related to rate integration for the yet unserved insular areas."); Comments of MCI Telecommunications Corp., at 38 (rates "need to reflect true economic costs as perhaps tempered by competitive influences in the marketplace"); Comments of Sprint, at 24 (urging the Commission to "move cautiously"); Comments of AT&T, at 33 (urging the Commission to develop rate integration rules that are "compatible with the basic pro-competitive policies underlying the [Telecommunications Act of 1996]"); Comments of Columbia Long Distance Services, Inc., at 3 ("[T]he Commission must tread with special care . . . to avoid establishing rigid regulatory requirements that will redound to the detriment of telecommunications users on these islands.").

must be obtained at COMSAT's international rates, which are significantly higher than those charged by domestic satellite systems serving other U.S. locations.⁷ Columbia Long Distance Services, Inc. also has asserted that because no satellite system can provide service between the Western Pacific region and the U.S. mainland via a single transmission, or "hop," the cost of providing service to Guam and the CNMI remains directly related to their distance from the U.S. mainland, and thus no distance-insensitive means of transmission currently exists.⁸ These concerns echo those previously raised by IT&E and reinforce the need to develop a complete record upon which to base any specific plan to implement rate integration for Guam and the CNMI.

While IT&E joins those parties expressing wholehearted support for the universal service goals of rate integration,⁹ IT&E also shares the concerns expressed by a number of other parties regarding the implementation of rate integration on Guam and the CNMI.¹⁰ IT&E believes that these concerns have been prompted by the fact that the Commission has never adopted a rate integration policy for Guam and the CNMI. Thus, the task of implementing rate integration for Guam and the CNMI necessarily raises novel issues requiring a forum in which all affected parties are afforded an adequate opportunity to raise their concerns and to develop a mutually acceptable plan of implementation.

⁷ See Comments of GTE, at 20.

⁸ See Comments of Columbia Long Distance Services, Inc., at 5-6.

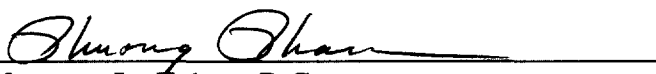
⁹ See Joint Comments of the Governor of Guam and GTA, at 8-9; Comments of the Guam Public Utility Commission, at 2 (filed April 19, 1996); Comments of the Commonwealth of the Northern Mariana Islands, at 7-11 (filed April 19, 1996).

¹⁰ See supra notes 4 and 5.

Although the Comments have been effective in identifying the issues and pointing out important factual differences between the Western Pacific islands and other noncontiguous U.S. points currently subject to the FCC's rate integration policy, these pleadings do not provide a sufficient record on which to base a rule extending this policy to Guam and the CNMI. Accordingly, IT&E reiterates its request for the Commission to convene a working group or task force to reach a well-considered resolution of the novel and complex issues raised by the proposed extension of the FCC's rate integration policy to Guam and the CNMI. Only by convening such a working group or task force will the Commission be able to develop a complete record upon which to base an informed decision. IT&E welcomes the opportunity to work with the Commission and other affected parties in shaping a dynamic telecommunications environment that will ensure high quality services at affordable rates to all the residents of Guam and the CNMI.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Elizabeth O. Dickerson, an employee of Akin, Gump, Strauss, Hauer & Feld, L.L.P., certify that copies of the foregoing **REPLY COMMENTS OF IT&E OVERSEAS, INC.** were sent by Hand Delivery or First Class U.S. Mail, postage prepaid, on this 3rd day of May 1996, to the following parties:

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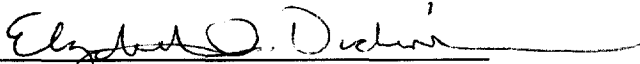
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